

Organizational Charts

Exhibit 7.1

Montana Department of Labor & Industry

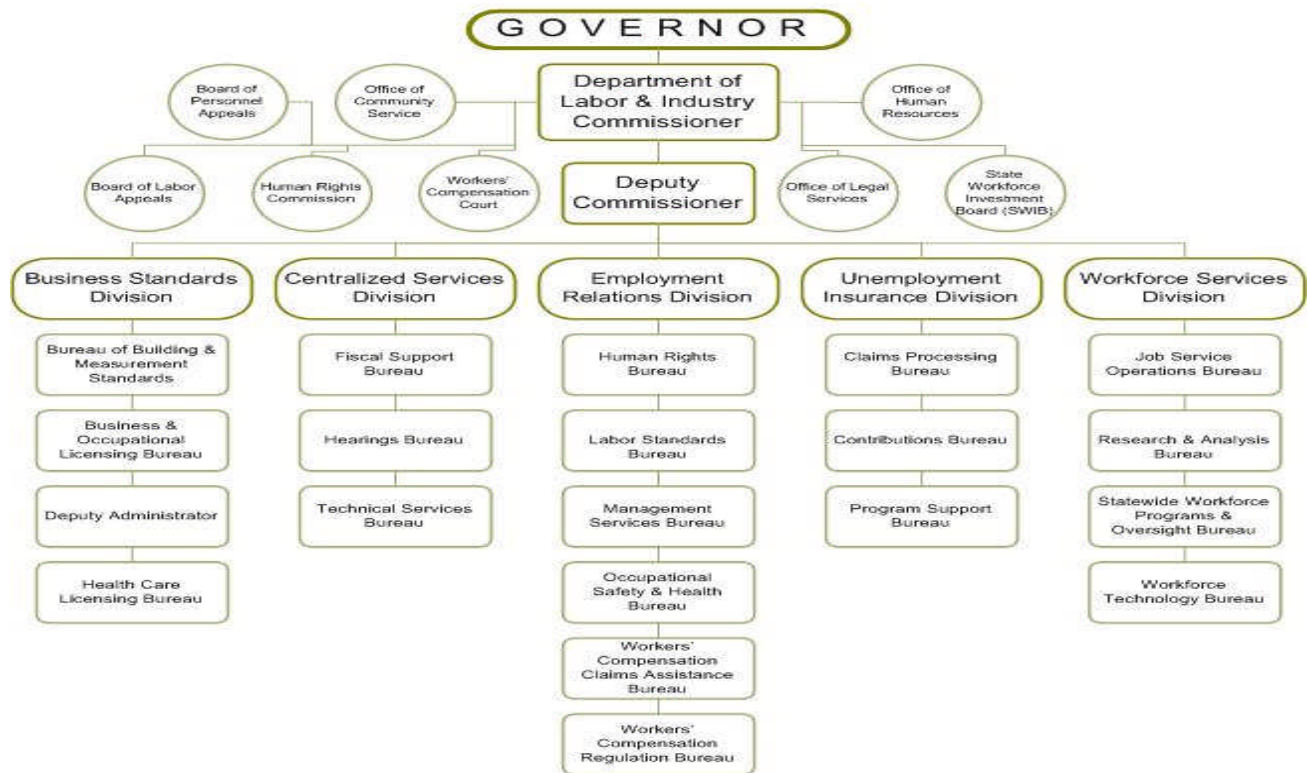


Exhibit 7.2

Employment Relations Division



Workers' Compensation Assessments as Expended

The administration of the Workers' Compensation and Occupational Disease Acts and the various occupational safety laws is funded by an assessment to Plan 1 (self insured employers), Plan 2 (private insurance carriers), and Plan 3 (Montana State Fund). Section 39-71-201, MCA, requires the administrative assessment to be three percent of benefits paid during the preceding calendar year for injuries covered under the Workers' Compensation Act and the Occupational Disease Act, without regard to the application of any deductible, whether the employer or the insurer pays the losses. Benefits included in the calculation are: (1) compensation benefits paid and (2) medical benefits paid (except payments in excess of \$200,000 per occurrence, which are exempt from the assessment).

DLI functions funded by the administrative assessments

- Legal functions of the WCC and the Hearings and Legal Bureaus
- Administration of the ERD, including the Workers' Compensation Database (WCAP)
- Claims management, data analysis, rehabilitation panels, mediation and administration functions of the Claims Assistance Bureau
- Medical regulation, self-insurance, carrier compliance, PEOs, Managed Care Organizations and administration functions of the Workers' Compensation Regulation Bureau
- Occupational safety statistics, public facility inspections, OSHA on-site consultation grant match, mining inspection, MSHA mine training grant match and safety culture functions of the Occupational Safety and Health Bureau

Exhibit 7.3
Workers' Compensation Assessments as Expended
By Fiscal Year of Expenditure

FY02	FY03	FY04	FY05	FY06
\$4,387,058	\$4,512,300	\$4,584,468	\$4,735,449	\$5,553,324

Subsequent Injury Fund

The Subsequent Injury Fund (SIF) was established by legislation passed in 1973. The purpose of the SIF is to assist individuals with impairments obtain employment by offering a financial incentive to employers for hiring SIF-certified individuals. Many states have similar funds called either subsequent or second injury funds. Montana's program is funded through an annual assessment on Plan 1, Plan 2 and Plan 3 via direct bill or via surcharge.

The law defines "person with a disability" as a person who has a medically certifiable permanent impairment that is a substantial obstacle to obtaining employment or re-employment. Also taken into account are such factors as the person's age, education, training, experience and employment rejections.

The SIF program reduces the liability of the employer by placing a limit on the amount an employer, or the employer's insurer, will have to pay if the worker becomes injured or re-injured on the job. When that limit is reached, the SIF assumes liability for the claim. If a certified worker does become injured on the job, the worker remains entitled to all benefits due under the Workers' Compensation and Occupational Disease Acts.

There were 216 new SIF certifications during FY06 bringing the total to 3,826 SIF-certified individuals in the state of Montana.

The assessment surcharge is based on a percentage of the compensation and medical benefits paid in Montana by each insurance plan in the preceding calendar year. The rate is set by the ERD based on the total amount of paid losses reimbursed by the fund in the preceding calendar year and the expenses of administration, less other income.

Exhibit 7.4
SIF Payments and Dollars Assessed
By Plan Type¹ and Calendar/Fiscal Years

Plan Type ¹	FY02		FY03		FY04		FY05		FY06	
	Payments CY00	Assessment FY02	Payments CY01	Assessment FY03	Payments CY02	Assessment FY04	Payments FY04 ²	Assessment FY05	Payments FY05	Assessment FY06
Plan 1	18,819	0	180,361	99,700	62,115	0	55,417	42,792 ³	184,279	0
Plan 2	9,580	0	43,294	19,854	135,513	14,857	116,938	82,832	17,545	0
Plan 3	170	0	12,461	381	94,312	48,642	204	151,763	223,959	0
Total	\$28,569	\$0	\$236,116	\$119,935	\$291,940	\$63,499	\$172,559	\$234,595	\$425,783	\$0

Note:

¹Plan types: Plan 1 – Self-Insured Employers, Plan 2 – Private Insurance and Plan 3 – Montana State Fund.

²Change from Calendar Year to Fiscal Year basis (39-71-915, MCA).

³Previous year carryover credit from Plan 1 reduced the actual Assessment to zero.

Uninsured Employers' Fund

The role of the Uninsured Employers' Fund (UEF) is to provide benefits to employees injured on the job while working for an uninsured employer. Another primary role of the UEF is to ensure employers comply with workers' compensation laws so employees are properly covered.

The UEF Unit levies and collects penalties for the time that the employer is uninsured. The UEF requires the uninsured employer to pay a penalty to the fund. Penalties can be double the insurance premium that would have been paid by the employer, or \$200, whichever is greater.

Exhibit 7.5
Uninsured Employers' Fund
Financial Activity by Fiscal Year

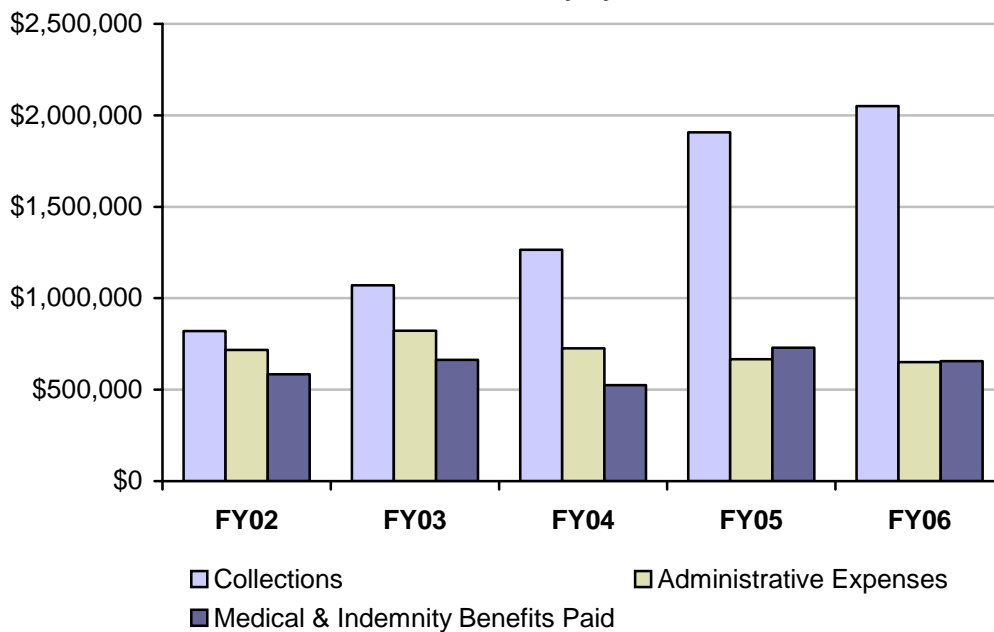


Exhibit 7.6
Uninsured Employers' Fund
Financial Activity by Fiscal Year

	FY02	FY03	FY04	FY05	FY06
Collections	\$816,467	\$1,071,012	\$1,412,419	\$1,908,717	\$2,051,992
Administrative Expenses	\$716,409	\$820,898	\$808,130	\$665,296	\$650,133
Medical & Indemnity Benefits Paid	\$582,716	\$662,301	\$522,973	\$728,279	\$654,758

Exhibit 7.7
UEF Medical and Indemnity Payments FY06

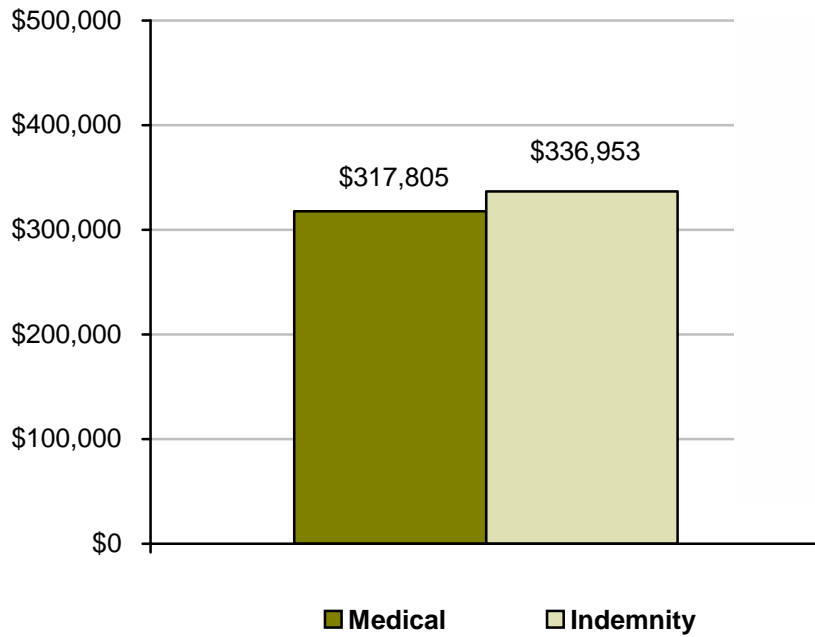


Exhibit 7.8
UEF Medical and Indemnity Payments
By Fiscal Year

	FY02	FY03	FY04	FY05	FY06
Medical	258,505	284,271	174,388	470,659	317,805
Indemnity	324,211	378,030	348,585	257,620	336,953
Total	\$582,716	\$662,301	\$522,973	\$728,279	\$654,758

The UEF recorded claims from 106 workers who were injured in FY06 and whose employers were uninsured.

Occupational Safety & Health

The vision of the Occupational Safety and Health Bureau is to be the premier resource in making Montana a leader in safety culture with the belief that all injuries are preventable and that the only acceptable goal for workplace injuries and illnesses is zero. The Bureau mission, then, is to raise the level of awareness of Montana employers, employees and the public about workplace safety and health through public-sector compliance inspections, private-sector consultation visits, technical assistance, training, public outreach and partnerships with other agencies and associations.

The ability to provide these services for Montana is enhanced through two federal grants. The first grant, through the Occupational Safety and Health Administration (OSHA), provides resources to perform private-sector consultation visits upon invitation of a private employer. These visits offer a full suite of health and safety consultation services and are both free of charge and confidential to the employer. The second grant, through the Mine Safety and Health Administration (MSHA), provides resources to meet the federal requirement mandating "new miner" and "annual refresher" training for miners and mine contractors.

In addition to the services described above, Montana employers and workers have an additional safety-oriented resource in the Montana Safety Culture Act. The Act focuses on encouraging employers and employees to work together to implement strong workplace safety programs. Information on the Act's requirements and how to implement them can be found at: <http://erd.dli.mt.gov/safetyhealth/cultureact.asp>.



Exhibit 7.9
Occupational Safety & Health Activities FY06

Occupational Safety & Health	Employer Sector
	Public/Private
	FY06
Public Inspections Performed	502
On-site Inspection Performed	242
Requests for Technical Assistance	1,349 (627 public and 722 private)
Basic and Advanced Training Sessions Conducted	43 ¹
Workers Trained	646 ¹

Mining Section	Coal					Sand & Gravel Operations				
	FY02	FY03	FY04	FY05	FY06	FY02	FY03	FY04	FY05	FY06
Inspections Performed	31	38	37	39	34	174	84	78	59	51
Mine Training Sessions Conducted	15	13	9	10	8	111	97	122	93	128
Workers Trained	497	200	210	169	31	1,512	1,679	2,468	1,728	1,983
Coal Mine Foreman Training Sessions Conducted	3	6	2	1	8	--	--	--	6	--
Coal Mine Foremen Trained	19	40	28	6	45	--	--	--	--	--

The Occupational Safety and Health Training Institute within the DLI offers basic and advanced training courses in safety and health. These courses are scheduled a year in advance and are free of charge. Subject matter includes the OSHA 10-Hour course for general industry and for construction, confined space, inspection techniques, trenching and excavation, accident investigation, scaffolding, health and safety management, fall protection, welding, and more. Courses are designed to build a more effective workforce and to aid in professional development for Montana employers and employees.

The Institute maintains a record of courses successfully completed by each student. These records are useful to both the student and the employer in demonstrating the commitment to a strong safety culture. Certificates are issued to those successfully completing the various courses. For more information visit: www.montanasafety.com

Training Institute	CY06
Training Sessions	43
Workers Trained	646
Local Focus Groups	CY06
Training Sessions	51
Workers Trained	749

¹ Training Institute and Local Focus Groups are calendar year.

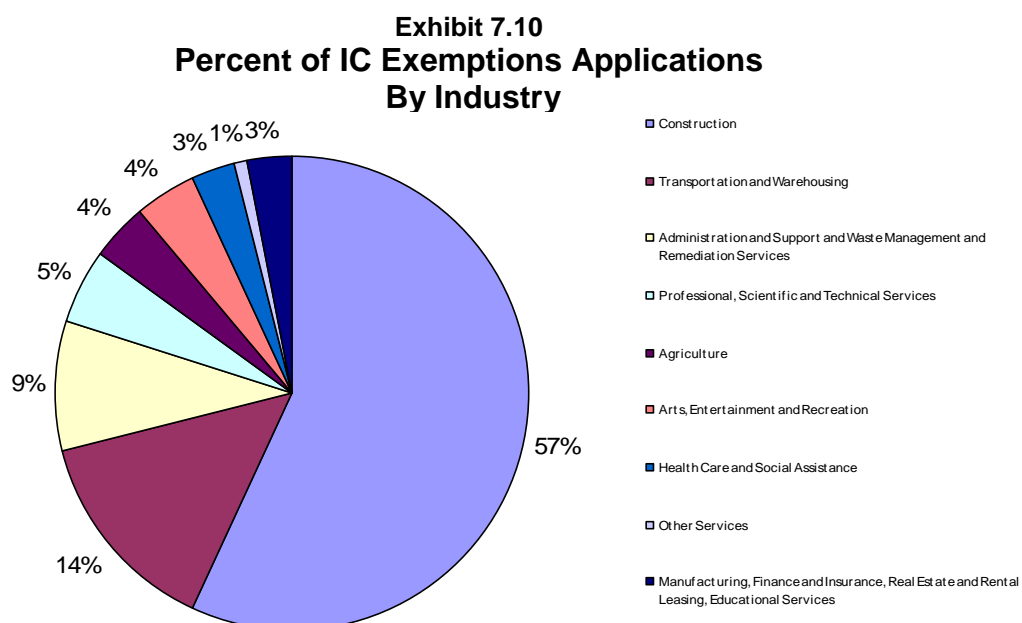
Independent Contractor Exemption Certificates

Independent Contractor Exemption Certificates are issued through the department's Independent Contractor Central Unit. It is the intent of the program to assure only those individuals who are truly established in a business receive an Independent Contractor Exemption Certificate and those who hire them can rely on the certificate as conclusive proof the worker is an independent contractor.

Certificates may be suspended if control is exerted over the worker by the hiring agent enough to destroy the independent contractor relationship. They may also be revoked if a certificate holder fails to cooperate with the department. During FY06, 210 investigations took place across the state either affirming independent contractor relationships or requiring workers' compensation policies. The department revoked 35 exemption certificates for failure to cooperate with the department's investigation, and suspended 2 certificates for too much control over the worker.

One goal of the program is to educate the public of the rights and responsibilities of being an independent contractor or hiring one. This is accomplished through seminars, presentations, home show participation, news articles, a multi-media campaign, and as a last resort, penalty enforcement. Both the worker and those that hire them may be penalized. No penalties were issued for FY06.

The department received 10,254 applications during FY06, of which 9,488 were approved and 554 denied (the remainder are pending a decision). Failure to provide a complete application was the primary reason for the denials. With 57% of the total applications, the Construction industry is clearly the industry with the largest number of applicants. Transportation and Warehousing applications were 14%, Administrative and Support and Waste Management and Remediation Services, 9%, followed by Professional, Scientific and Technical Services at 5%. The graph below categorizes all exemption applications received by the industry.

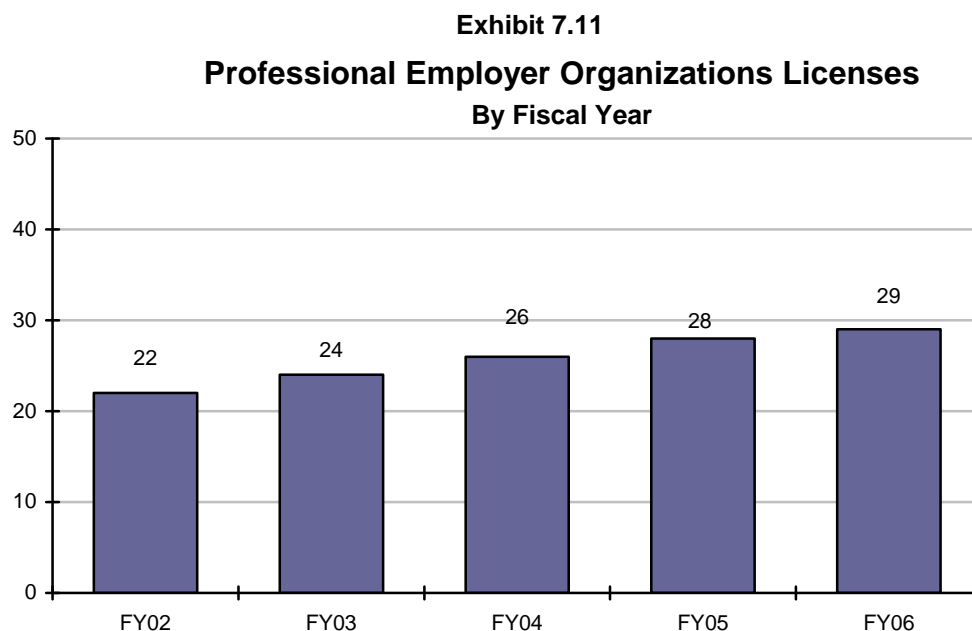


The website www.mtcontractor.com provides more information on independent contractors in Montana.

Professional Employer Organizations

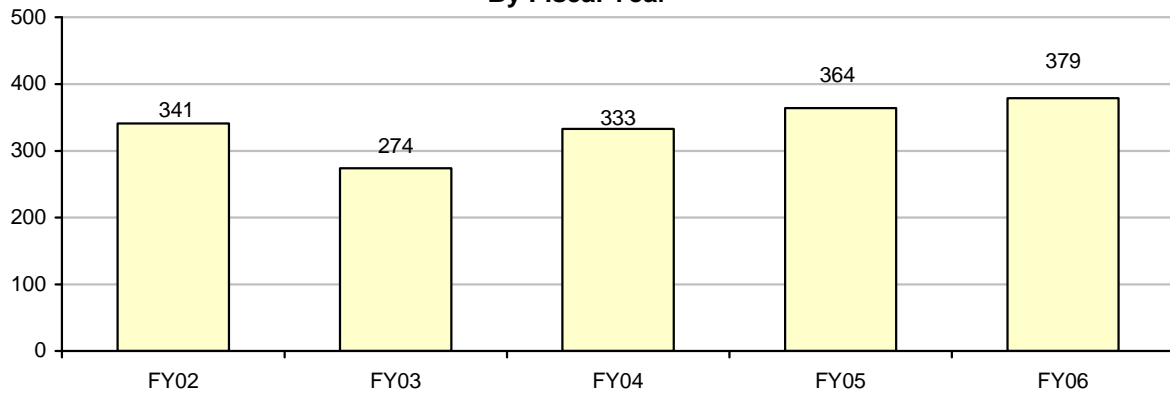
PEOs are required to be licensed by DLI prior to operating in Montana. A PEO is a business in good standing that contracts with other businesses, providing the businesses with leased employees. A PEO manages the paperwork responsibilities associated with having employees. They are to pay employee wages, workers' compensation premiums, payroll-related taxes, and employee benefits from their own account without regard to payments by the client. Thus, they become the employer of record. The client companies in return pay the PEO all employee costs plus an administrative fee. The client company is sometimes termed a co-employer. A client is an employer who obtains all or part of its workforce through an employee leasing arrangement or a professional employer arrangement, both by contract with a PEO.

In FY06, the ERD renewed and maintained 29 PEO licenses. An increasing number of client companies maintained contracts with a PEO in FY06, and through the 379 client companies of record, 2,964 employees were employed.



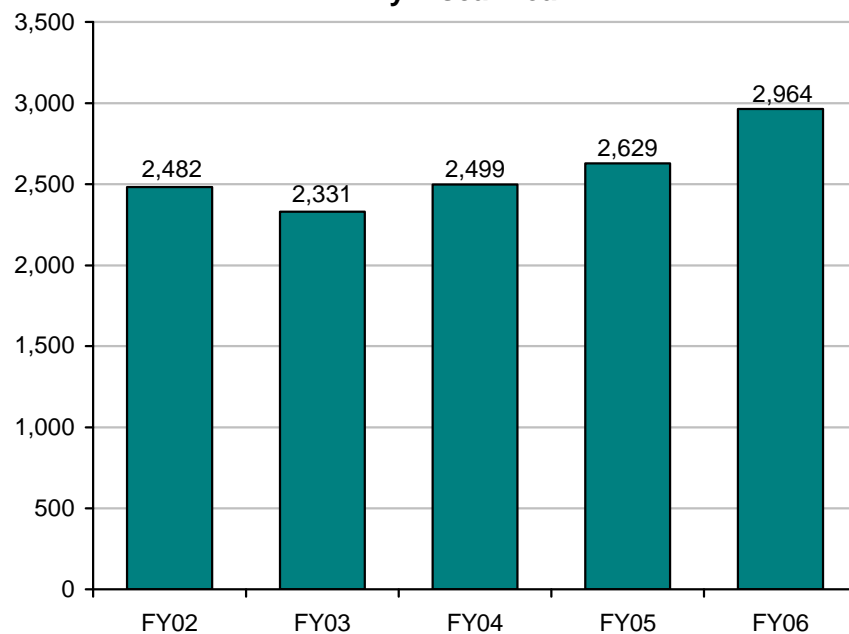
Data Source: (UIT) Unemployment Insurance Tax System.

Exhibit 7.12
Professional Employer Organizations Clients
By Fiscal Year



Data Source: (UIT) Unemployment Insurance Tax System.

Exhibit 7.13
Professional Employer Organizations
Leased Employees
By Fiscal Year



Data Source: (UIT) Unemployment Insurance Tax System.